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***Senate Public Safety &  
Transportation  
Subcommittee  
Budget Hearing  
February 3, 2006***

## ***Maryland Food Center***

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- **The MFCA is dedicated to combining the very best in public and private efforts in planning and developing regional food industry facilities throughout Maryland.**
- **New and revitalized ventures under the MFCA's jurisdiction continue to generate employment and economic benefits throughout the State of Maryland.**

## ***Maryland Wholesale Food Center***

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- **The most visible symbol of the public/private partnership efforts is the 400(+/-) acre Maryland Food Center located in Jessup, Maryland. The Maryland Food Center is home to such companies as Giant Food, SYSCO Food Services of Baltimore, T.A. Baltimore South, Merchants Terminal, BTS Distribution Centers, Terminal Corporation and the Maryland Wholesale Produce and Seafood Markets.**

## ***Legislative Analyst Issues & Recommendations***

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- **1.) MFCA Operating Deficit-**

The MFCA operating statement, Exhibit 2, indicates MFCA will have a projected operating deficit of \$227,292 in fiscal year 2006 and \$229,668 in fiscal year 2007

Current revenues covered current expenses in fiscal 2005 but are not expected to cover operating expenses in fiscal 2006 and 2007 when depreciation is included. Depreciation expenses were \$315,247 in fiscal 2005, and budgeted for \$622,257 in fiscal 2006 and \$652,805 in fiscal 2007.

**It is recommended that the charge back of expenses to tenants include full recovery of depreciation expenses.**

## ***MFCA's Response to 1<sup>st</sup> issue***

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- The Maryland Food Center Authority's current budget shows net operating losses of \$227,292 and \$385,163 for FY 2006 and FY 2007, respectively. However, these losses include a large portion of Capital Improvement depreciation that has been incorrectly classified as an Administrative expense. The Maryland Food Center Authority is providing a report entitled Depreciation Analysis, which substantiates this fact. After the amount of Capital Improvement depreciation is removed from the budget, the Maryland Food Center Authority shows net operating income of \$205,361 and \$126,164 for FY 2006 and FY 2007, respectively. A revised Modified Statement of Operations is provided to corroborate this statement.

# Response

## Modified Statement of Operations Maryland Food Center Authority Fiscal 2005 through 2007 With Depreciation

	FY 05 Actual	FY 06 Estimated	FY 07 Estimated	FY 06-07 Change
<b>Revenue</b>				
Rental Income	3,202,415	3,267,800	3,327,692	1.8%
Entrance Fees	567,736	579,091	590,673	2.0%
Miscellaneous	720,769	-	-	0.0%
Interest Income	98,546	90,000	90,000	0.0%
<b>Total Revenue</b>	<b>4,589,466</b>	<b>3,936,891</b>	<b>4,008,365</b>	
<b>Expenses</b>				
Operating Budget	3,431,397	3,945,249	4,112,811	4.1%
Less: Capital Improvement Depreciation	(464,191)	(487,400)	(511,328)	4.7%
Maintenance	52,780	48,516	51,049	5.0%
Taxes	224,599	225,165	229,668	2.0%
<b>Total Expenses</b>	<b>3,244,585</b>	<b>3,731,530</b>	<b>3,882,200</b>	
<b>Net Income</b>	<b>1,344,881</b>	<b>205,361</b>	<b>126,164</b>	

# Response

## Maryland Food Center Authority Depreciation Analysis 7/1/04 - 6/30/05

	Adminstration Depreciation	Capital Improvement Depreciation	Produce & Seafood Depreciation	Total Per Book Location Summary	Budget Object Code
Equipment	30,069.65	3,326.18		33,395.83	1320
Henry Hein Building	36,303.75			36,303.75	1320
Cross Dock		61,956.47		61,956.47	1320
Pond		351.71		351.71	1320
Produce & Seafood Equipt			41,165.66	41,165.66	0730
Rock Hall	17,570.01			17,570.01	1320
Wholesale Produce Mkt		302,280.12		302,280.12	1320
Wholesale Seafood Mkt		141,445.82		141,445.82	1320
	83,943.41	509,360.30	41,165.66	634,469.37	
		Amount in Object 0730		(41,165.66)	Prod & Seaf Other Land Vehicle
		Subtotal		593,303.71	
		Total Depreciation Budget		592,626.00	
		Unexplained Difference		677.71	
<b>Total Depreciation - Budget</b>					
	Actual 2005	FY 06 Amended	FY 07 Request		
Equipment	33,395.83				
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Admin, Prod, Sea, RH Depr	128,435.25	134,856.95	141,477.38		

## ***Legislative Analyst Issues & Recommendations***

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- **2.) Rock Hall Seafood Processing Plant**

The Rock Hall Seafood Processing Plant is currently vacant. In the past, the cost of administration and operation of the plant were offset by fees charged to watermen for processing and, in part, subsidized by MFCA funds. Currently, due to the depressed crab and oyster harvesting economy on the bay, the facility is no longer used as a seafood processing plant. MFCA is preparing to lease the former Rock Hall Seafood Processing Plant to the town of Rock Hall. The town of Rock Hall will accept responsibility for subleasing and operation of the facility in accordance with all applicable laws and regulations, and MFCA will participate in rent revenues received.

**It is recommend that MFCA brief the committee on the plan for the future use of this now vacant facility.**



## ***MFCA's Response to 2<sup>nd</sup> Issue***

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- The following is a brief explanation on the plans for the future use of the Rock Hall Seafood Processing facility. In recent years, decline in shellfish production in the local waters of the Chesapeake Bay was reflected in underutilization of the MFCA's Rock Hall Seafood Processing Plant. Yet the Town of Rock Hall has been strongly committed to retaining use of the facility for marine-dependent promotion of the Chesapeake Bay, in keeping with the historic character of the Town. The MFCA supports such use, which is consistent with the public purposes for which the facility was acquired. The MFCA has worked closely with the Town of Rock Hall to locate an appropriate business tenant for the facility, hopefully one that could benefit not only residents of Rock Hall, but the Chesapeake Bay economy in general. Use by the Chesapeake Marine Career School was explored, to provide much-needed training in boat repair including engines, hull work, and refrigeration. A local zoning variance to address fiberglass fabrication and painting at the facility delayed their occupancy, however, and the School proceeded in another location to pursue development of its curriculum with an initial class of instruction.

## *Response continued*

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- In view of both the strong commitment by local government to retaining use of the plant in keeping with the long-established character of Rock Hall, and the potential for local regulatory and oversight issues, it was proposed that the Town of Rock Hall itself become the tenant. The Town of Rock Hall and the MFCA have agreed in principle to the following arrangements which are in the process of being finalized: The Town of Rock Hall as tenant will be responsible for marketing the property to acceptable sub-tenant(s) and will monitor the use to be consistent with applicable regulatory requirements. The MFCA will participate in sub-lease revenues, enabling the MFCA to recover its substantial investment in renovation of the facility and its subsidy of the operation over time. This policy has been approved by the MFCA Board of Directors and by the Mayor and Council of the Town. Lease documents have been drafted and negotiations are in the process of being finalized.

## ***Former Burlington Coat Factory***

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**The 14 acre site located in the Food Center, formerly owned by Burlington Coat Factory was purchased by Atlantic Realty Companies of Vienna, Virginia. This was previously an underutilized facility attracting crime, and was an objectionable eye-sore to the community. Redevelopment of the site by Atlantic Realty should have positive benefits.**

## New Columbia East Marketplace

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- **Clean up the derelict and non-conforming condition**
- **Thoroughly renovate the prominent corner property**
- **Resolve open litigation over the recorded covenants on the site by dismissal of the action**
- **Support ongoing programs of the MFCA**
- **Stimulate new jobs and economic activity**

## ***New Columbia East Marketplace***

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- **Agreement to dismiss the covenant lawsuit and permit development of this site .**
- **Targeted to beneficial retail and service operations.**
- **MFCA to receive annual financial support for operations in the amount of \$100,000 over a period of 10 years.**



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***House Education &  
Economic Development  
Subcommittee  
Budget Hearing  
January 25, 2006***

## ***Maryland Food Center***

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